MUTUALIZATION OF LIFE INSURANCE COMPANIES

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In the year 1906 the legislature of the state of New York enacted, among other bills introduced by Senator Wm. W. Armstrong on behalf of the New York Legislature Life Insurance Investigating Committee, of which he was chairman and Mr. Charles E. Hughes was counsel, the following statute, providing for mutualization of stock life insurance companies:

Conversion of a Stock Life Insurance Corporation into a Mutual Life Insurance Corporation

Any domestic stock life insurance corporation, whether incorporated under a general law or by special act, may become a mutual life insurance corporation, and to that end may carry out a plan for the acquisition of shares of its capital stock, provided, however, that such plan: (1) shall have been adopted by a vote of a majority of the directors of such corporation; (2) shall have been approved by a vote of stockholders representing a majority of the capital stock at a meeting of stockholders called for the purpose; (3) shall have been approved by a majority vote at a meeting called for the purpose, in such manner as shall be provided for in such plan, of policyholders each insured in at least one thousand dollars and whose insurance shall then be in force and shall have been in force for at least one year prior to such meeting; and (4) shall have been submitted to the superintendent of insurance and shall have been approved by him in writing, provided that such plan shall not be approved by the superintendent unless at the time of such approval the corporation, after deducting the aggregate sum appropriated by such plan for the acquisition of all its capital stock, shall be possessed of assets sufficient to maintain its deposit theretofore made with the superintendent and not less than the entire liabilities of the corporation, including the net values of its outstanding contracts computed according to the standard adopted by the corporation under section eighty-four of this chapter, and also all funds, contingent reserves and surplus save so much of the latter as shall have been appropriated under such plan.

It is, perhaps, because of my service on the committee as its actuary and especially because of my well-known connection, as putative author, with its legislative proposals, that I am invited to prepare this account of what has been effected, and what has not been accomplished as well, under this law and also generally since its enactment.

The occasion for enacting such a measure was as follows: the investigation had disclosed that there had been evils in stock management of great companies doing principally a participating business, which real mutuality should eliminate; as, for instance, the very real evil of the control coming into weak or even criminal hands. It is true that mutual companies were not found to be free from evil conditions, owing to the fact that their managements, through a vicious proxy system, had been so entrenched that there was little sense of responsibility to the members; but this, the committee conceived, could be remedied by election regulations which would render the management more accountable to policyholders. In view of these things, it seemed desirable to give the opportunity, whenever the holders of the majority of the stock, impressed, say, with the importance of perpetuating the management in the interest of policyholders, were willing to provide for mutualization, for the policyholders to pass upon the matter and, if they and the superintendent of insurance approve, redeem the stock at a rate fixed by agreement and thereafter own and control their company.

There is no reason for disguising that an important and perhaps conclusive reason for recommending this legislation was the condition in regard to the Equitable Life Assurance Society in which the bare majority of $100,000 of stock controlled hundreds of millions of dollars of reserves and surplus accumulated for participating policyholders and in which evils and perils arising out of such control had so aroused the public that the committee and its investigation had resulted. The purchase of this stock at a price involving about $3,000,000, though it could never pay more than $3,500 per annum in dividends, the attempted semi-mutualization which was necessarily abortive, so far as vesting the control went and the placing of the majority of the stock in the hands of trustees of the highest repute, under an appointment, however, limited to five years as required by statute, had emphasized the need for a provision for mutualization.

Since then, there have been two more transfers of the majority of the stock of this company, each time at an advance in price, equal to interest on the original consideration. Stability of management has so far been maintained by continuing the holding and voting trust from five-year period to five-year period. But there has never been mutualization although steps were at one time taken, looking

toward it. That this should be the case will require consideration; but such is postponed until later in this paper because there are many other matters which can, to better advantage, be dealt with, first. In passing, however, it is well to say that two mutualizations have taken place under the statute and that in an adjoining state a third has taken place, a court of equity passing upon it in lieu of the superintendent of insurance and also creating and supervising the procedure as provided by a special statute, all of which will be considered later in this paper.

Mutualization of a life insurance company was not unknown in the United States prior to the enactment of the New York law. Its earliest appearance in the United States was in Massachusetts where the excellent, established mutual life companies, now and for a long time controlled and owned exclusively by policyholders, originally had guaranty capital, ultimately redeemed out of policyholders' surplus pursuant to charter provisions. This was also true of the National Life Insurance Company of Vermont, and of a few other companies in other states.

The laws of Massachusetts, however, now provide neither for the organization of new mutual companies, with guaranty capital, nor for the mutualization of stock companies, for the organization of which provision is made in the statutes. In 1906, of the eastern states, only New Jersey provided for the organization of mutual companies by means of redeemable guaranty capital—an anachronistic survival in the statutes, not actually used for twenty years past; but there was no provision for mutualizing a stock company.

In New York, as in Massachusetts, it had been impossible for fifty years to incorporate a mutual life insurance company at all, *i.e.*, whether with guaranty capital or without. This was true, notwithstanding that in both states mutual companies were the leaders and their success indisputably complete.

This anomaly has a history which sheds light upon the whole subject, including the need for laws permitting mutualization.

Prior to 1835, what life insurance there was in the United States was purveyed either by ultra-venturesome and not very sound British companies or by the Massachusetts State Hospital Life Insurance Company (a stock corporation using its profits in part to maintain a hospital), the New York Life Insurance and Trust Company, the Girard Annuity and Trust Company of Philadelphia and

two or three other similar companies which supplied life insurance at very high rates, as a "side-line."

These concerns did so little life insurance business that in 1835 one of them successfully opposed the chartering of a new *stock* company in New York upon the ground, based upon its experience, that there was not enough business to divide. Similar throttling was resorted to in other states.

But a *mutual* movement got under way, perhaps because its potentialities were underrated, in 1835 in Massachusetts by the incorporation with guaranty capital of the New England Mutual Life Insurance Company—which, however, was unable to get under real headway for several years—and in 1842 in New York by the organization of the Mutual Life Insurance Company, without capital stock but with a good volume of insurance on which the first premiums had been paid. These two companies, together with the Connecticut Mutual, the Mutual Benefit of New Jersey, the Penn Mutual of Philadelphia and the New York Life (also mutual), all of which were organized within fifteen years, soon demonstrated the success of mutual life insurance and indeed drove the stock companies named above out of the field.

They thereupon (excepting in New Jersey as stated) brought about the prohibition of the organization of mutual companies, whether with or without guaranty capital. Not fearing stock company competition, they consented to statutes permitting such incorporation, but without provision for redeeming the capital stock and for mutualization.

In 1906, in addition to the section permitting mutualization which is set forth in the opening of this paper, Senator Armstrong introduced, and the legislature enacted, a provision for incorporating mutual companies with guaranty capital. This, however, has been wholly without result, as I myself warned the committee in that it would be, in case the limitation on total expense were adopted because a new company could not in its first years so confine its overhead expense. Certain of the committee and its advisers were so bent, however, upon heightening the public impression (which was otherwise well-founded) that economy was to be enforced, that it was insisted that the limitation upon total expenses of companies doing a participating business, now contained in Section 97 of the New York Insurance Law, be imposed. This provision really places

no restriction whatever upon a company with an established participating business, being far higher than the most wasteful management would dare to go. It was, moreover, at once relaxed upon the earnest and even eager initiative of the superintendent of insurance, by an amendment to relieve the company at the only time that it would have imposed some slight measure of special economy, *viz:* upon the Metropolitan Life Insurance Company when, by mutualization, it passed from a non-participating to a participating business. It merely renders the establishment of new mutual companies just as impossible in New York since 1906, as before, because, though now their incorporation is permitted by law, they cannot possibly keep total expenses, including home office expenses, down to this limit in their earlier years.

This has no reference to the limitations on cost of new business in the same section, which do—or at least should and would in all cases if not evaded in any way—affect old and new companies alike and afford fair canons for justifiable expenditure for new business, whether by an old company or a new company. These standards, it is now generally recognized, are genuinely useful and their imposition has been one of the most important reforms introduced by the Armstrong legislation. But the limitation on total expense remains the same as at the outset and, moreover, has, as stated, been promptly mitigated the very first time it might have enforced even the least measure of economy:

By the time the Equitable Life Assurance Society was organized in 1859, the door was closed, locked and sealed against the incorporation in New York of a mutual life insurance company, not because such had not been successful, but because they had—and so were powerful. These companies had dictated what the law should be.

The founders of the new company, Henry B. Hyde, cashier of the Mutual Life Insurance Company, and his father, Boston agent of the same company, purposed and wished to create a mutual company. It was of such a company that the elder Hyde, together with one Johnson (another agent, who went into the western wilderness and in the absence of stifling regulatory statutes founded the Northwestern Mutual Life Insurance Company, purely mutual, in a small Wisconsin town, in 1857, two years before the Equitable) talked together during their ever-memorable sojourn in Scoharie County in the Catskills, from which they emerged, each eager to set

on foot a new mutual company. It was also a mutual name which the Hydes chose, "Society," not "Company"; and in the literature put out to secure stock subscriptions, assurances were given that the policyholders would receive all the profits—the 7 per cent dividend on stock barely representing interest in those days. The charter so provided, also, and so provides to this day, to the great embarrassment of persons who would figure out a way to make the shares valuable, either by enlarging dividends or even on a winding-up basis, for either way all surplus appears to securely belong to policyholders.

Undoubtedly Mr. Hyde, *fils*, originally looked forward to having this stock retired some time, legislative authority being secured; but by the time the Equitable became one of the "big three" in control of life insurance legislation in New York and he could easily have secured such a law, the feeling of security and personal power and well-being which accompanied having "the control of the Equitable" locked up in his own safety-vault box, put this thought out of his head. Anything at all definite concerning having this stock redeemed never came to light, accordingly, until the persons supposed to represent the estate of the late J. Pierpont Morgan intimated that such might be done; but by this time it represented an investment, not of $50,000, but of nearly $3,000,000, and yet was costing dividends of only $3,500 a year, which rendered the problem somewhat difficult.

Of that problem and of its attempted solution, more hereafter. Before entering upon any consideration of what has taken place since the law of 1906 was enacted, it is desirable briefly to relate some of the things *re* mutualization which had taken place prior to that time and the difficulties encountered.

The Massachusetts companies and the National Life of Vermont, from their organization, mutual though with guaranty capital, slowly emerged as purely mutual by redeeming the stock; in some the process was long delayed and a little bit of stock ownership, a few thousands literally, hung on as a useless appendage, but ultimately this was sloughed off. The charters made provision for it.

In Connecticut, however, one such company, with a mutual name but with capital stock, found it no such easy matter. The holders of the majority of the stock, for a liberal consideration, sold

out to parties just then completing the wreck, at a profit to themselves, of a Philadelphia company.

Now Hartford had gone through that experience once already, *i.e.*, had had such men buy the control of a life company in that city and proceed to wreck it; and Hartford was then, as now, an insurance center, proud of its many sound, well-conducted companies, and jealous of its reputation. Therefore, the great insurance interests there supported certain officers and directors of the company in question, in obtaining a law providing for the retirement of the stock of this company at a figure not beyond its fair value. This was done by authorizing the company to buy its own shares. No small part of the credit for conceiving and carrying through this difficult and unprecedented program, which has resulted in the Phoenix Mutual Life Insurance Company becoming and continuing one of the best mutual companies in the country, is due to the integrity and determination of the present president of that company, then a young man and serving in a responsible, but not controlling, capacity.

Under the New York Law of 1906, authorizing and providing for mutualization, two stock companies have been mutualized, the Metropolitan Life Insurance Company and the Home Life Insurance Company, both of New York City. During the same period, one other company, the Prudential Insurance Company, of Newark, N. J., has also become mutual, under a special enabling act, by invoking the aid of a court of chancery.

The Metropolitan Life Insurance Company was incorporated in 1866. For more than a decade, through the most perilous period in American life insurance history, its outlook for permanence was precarious. About 1880, it undertook to establish an industrial life insurance business, the Prudential of Newark having broken the ground in a small way and the Prudential of London having scored a great success in Great Britain.

In doing this, the company availed itself of skilled field men, fresh from this work in Great Britain; and, when under the pressure of net level premium valuation, then rigidly enforced by insurance departments, its surplus rapidly fell away, the company also imported the London company's actuary. By his assistance, reasonable concessions regarding reserves were secured which, while making ample provision, did not require more than could be accumu-

lated. Thus fostered, the company built up a big and profitable business, enabling the payment of good cash dividends and also the increase of the capital from $500,000 to $2,000,000 by the declaration of stock dividends, upon which, by an amendment to the charter, dividends were limited to 7 per cent per annum.

The death of the president in the early nineties placed upon the present president, who had been his coadjutor from the start, sole responsibility for the management. The charter was amended, so as to give policyholders a vote, but with the provision that the majority of the directors should be persons holding, or representing, the owners of a majority of the stock. The company ceased entirely to issue participating policies, so that all, or nearly all, its accumulated surplus technically "belonged" to its stockholders—though the fact that dividends on "non-participating" industrial policies were paid and were really held out as payable might affect this.

It is the general understanding that the management, after the death of the first president, did not itself hold a majority of the stock; and from time to time there were rumors of a majority being offered for sale by others. These rumors ceased in 1914 and were succeeded by a rumor that the holders had adjusted matters with persons interested in the management.

The mutualization followed. It opened with a resolution of the Board of Directors adopted on November 6, 1914, setting forth that the company was possessed of surplus to policyholders (including capital) "amounting to over $40,000,000" and providing for submission, as required by statute, to meetings of stockholders and of policyholders of a plan to retire the stock, par value $2,000,000, by paying in redemption of the same the sum of $6,000,000.

The stockholders at a meeting held on December 4, 1914, approved the plan by unanimous vote, 75,960 shares (of $25 each) voting out of 80,000.

A notice, embracing a full and clear statement of what was proposed, was sent each policyholder together with a proxy blank (white) instructing to vote for the plan and another (pink) instructing to vote against the plan. The meeting of policyholders was held on December 28, 1914, and resulted in 59,552 votes for the mutualization and 2,074 against it.

On January 4, 1915, the chief examiner of life insurance companies for the insurance department of the state of New York made a report upon the condition of the company as of December 31, 1914, based upon his examination, showing resources of $496,872,915.32 and surplus (exclusive of capital) of $33,294,660.01. The same day the superintendent of insurance, proceeding upon the papers submitted, including this report, approved the mutualization which was immediately carried into effect.

The company parted, from a purely financial viewpoint, with $6,000,000 in order to be released from paying $140,000 per annum in dividends; or, assuming investments representing the $2,000,000 of capital yielded 5 per cent, *i.e.*, $100,000, a bonus of $4,000,000 was paid to get rid of paying in dividends $40,000 per annum additional, out of earnings of other funds.

But such is a very incomplete and partial view of the matter. This was still a stock corporation. If there was a doubt that all, or nearly all, the surplus "belonged" to the stockholders, there could be little doubt that courts would hold that much of it did; "much" might easily mean $4,000,000 or more out of more than $33,000,000. Indeed, it could hardly mean less. The limitation of dividends might, or might not, be valid; it also might, or might not, prevent capitalization of surplus. The continuation of policyholders voting might also be questionable, if contested on behalf of holders of a majority of the stock; and permanence and stability of management might be jeopardized by a change of ownership of a majority of the shares. With upwards of $450,000,000 of policyholders' reserves at stake, these considerations should not be lost sight of. The management had, by these means, the best at hand, sought to guard those interests; only mutualization could effectually and permanently do so.

Except as regards the majority of the shares, taken off the market by arrangement, the management was not over-heavily interested in the stock; and as regards that block of stock, no suspicion is entertained that the management enjoyed a substantial "rake-off" and it is known that "three for one" or thereabout is what it was earlier rumored that this block could be bought at. Neither, taking into account the risks which were great, were the returns on the original investment excessive, for capital embarked in so successful and profitable an enterprise.

When the mutualization section was added to the insurance law, the purpose was to enable stockholders and policyholders to strike a bargain and that such bargain should be utilized to redeem the stock unless the superintendent of insurance should see some serious and conclusive reason to withhold his consent; certainly no such reason here appears.

The Home Life Insurance Company was incorporated in 1860. Its capital stock was $125,000 and its surplus to policyholders (inclusive of capital) December 31, 1915, $2,013,455. By its charter stockholders were limited to dividends of 12 per cent per annum and the remainder of the profits belonged to participating policyholders. The company issued participating policies only, though it had a few non-participating policies, issued before 1907, in force.

The first step toward mutualization was taken on April 17, 1916, when the Board of Directors adopted a resolution setting forth the facts and submitting to meetings of stockholders and of policyholders a plan to mutualize by paying $450 for each $100 share or $562,500 in all for the $125,000 par value.

At a meeting, held on May 4, 1916, of the stockholders, 1,024 shares out of 1,250 being represented, holders of 409 shares being present in person and holders of 615 shares being represented by proxy, the proposed mutualization was unanimously approved.

A meeting of policyholders was called for May 25, 1916, the notice fully setting forth the condition of the company, the terms of the proposed redemption of stock and the reasons why the management deemed it advisable. Blank proxies "for" or "against" were sent to each policyholder. At the meeting 6,666 votes were cast, only six in person, 6,118 in favor of mutualization and 548 against.

On May 26, 1916, the chief examiner of life insurance companies made a report to the superintendent of insurance of the state of New York, as a result of his examination of the company, showing it to be possessed of $32,183,296.20 assets and $2,026,601.78 surplus (including capital); upon which report and the other papers submitted, the superintendent approved the mutualization and it was carried into effect.

Considered purely as a financial matter, this mutualization might also be questioned; for the dividends to which stockholders were limited were only $15,000 per annum or $2\frac{2}{3}$ per cent on the redemption price of $562,500; but, again, there is the desirability of

getting rid of a useless and at some future time possibly pernicious stock interest and there is the consideration that even this is surely not an extravagant return for the risk the stockholders took in establishing the company and in bringing it to its present condition of security and earnings.

In any event, the intention of the legislature was to permit the stockholders and the policyholders to contract with reference to retirement of the stock, subject only to a veto by the superintendent if it were clearly not in the interest of policyholders; and such could not be said of this transaction.

The mutualization of the Prudential Insurance Company was effected under a special statute of the state of New Jersey providing for approval by a majority of the policyholders voting at a meeting called for the purpose and for the price being fixed by commissioners appointed by the chancellor. Instead of redemption, the mutualization could be effected by purchasing at least a majority of the shares and as many more as were offered at the price fixed by the commissioners; such shares could, so long as others were still outstanding, be treated as in force, thus leaving the policyholders in control of the company through their ability to vote the shares. This was accomplished by having trustees hold and vote the shares for the policyholders or rather for the company on behalf of the policyholders.

The Prudential, when mutualization was arranged for, had $2,000,000 capital stock and surplus of about $23,600,000. It had paid dividends of 10 per cent for several years and 20 per cent in 1913. Its cash dividends were not limited by law, but it could not increase its capital stock and so could not give dividends in stock.

The commissioners found the shares of $50 par value to be worth $455 each. This was arrived at by computing that $12,988,953.26 was clearly stockholders' earned surplus, that $5,000,000 fairly represented their interest in other as yet unrealized earnings and $185,155.63 the actual increase in market values accruing to the date of valuation. This makes $18,174,108.89. At $455 per $50 share, the commissioners allowed $18,200,000.

A special meeting of the stockholders was called for October 7, 1914, at which 30,889 shares were represented and were voted. It was unanimously resolved to authorize the company to purchase

such shares as were offered, at the price fixed by the commissioners. A special meeting of policyholders was also called for the same day, upon notice to each policyholder accompanied by blank proxies "for" and "against" the plan, at which 941,005 policyholders were represented of whom 940,797 voted for it and 208 against it.

These proceedings and the whole transaction were finally approved by the chancellor, after a hearing, on December 22, 1914.

It is obvious that a higher price was allowed for the stock in this case than in either of the other cases, the proof taken by the commissioners resulting in a much larger proportionate figure being fixed as the value of the stock, *viz.:* nine and one-tenth times the par value, as against three times the par value in the case of the Metropolitan and four and one-half times the par value in the case of the Home. Cash dividends were not limited, however, as in both the other companies; and market values also had been from four to as high as eight times the par value, actual sales, and the controlling interest had brought several years before six times the par value.

It may be doubted, however, that under the New York law so high a price would have been secured; for policyholders must have been greatly influenced by the findings of the commissioners, approved by the chancellor, regarding the value of the stock. In the absence of such, they might have driven a harder bargain, especially if the insurance commissioner gave support to their view of the matter.

The earnings of the company were so extraordinary that its vice-president and actuary was able to testify at the final hearing that about 40 per cent of the entire redemption price of the stock was recouped by the addition to surplus during the year in which the matter was brought to a conclusion.

This completes all the mutualizations that have taken place under such statutory authorization. One other in New York was mooted, *viz.:* the mutualization of the Equitable Life Assurance Society. The suggestion was brought forward after the death of the late J. Pierpont Morgan, who was owner of the majority of the company's stock. These holdings represented a cost of nearly \$3,000,000 for a bare majority of the stock, *i.e.*, a price of \$600 per \$100 share or sixty times the par value.

The company possessed surplus, however, of nearly \$80,000,000, of which about \$10,000,000 was so-called "general" or unas-

signed surplus. Dividends to stockholders are limited to 7 per cent per annum—*i.e.*, \$3,500 on the \$50,000 of capital which an investment of \$3,000,000 represented. Moreover, the charter quite definitely bestows all other earnings upon policyholders.

The suggestion seemed not to meet favor and was dropped. This stock was afterwards transferred at some advance in price to Colonel T. Coleman Dupont, the present owner.

From a financial standpoint, to pay out, say, \$6,000,000 to redeem \$100,000 of stock which is paying only \$7,000 a year in dividends and apparently never to be entitled to more, seems unjustifiable. But three men so shrewd as Thomas F. Ryan, J. Pierpont Morgan and T. Coleman Dupont, have in turn paid the same price, or virtually so for a controlling interest; and another man, not less shrewd, the late E. H. Harriman, offered to take the stock from Mr. Ryan's hands or, if that were not acceptable, to share equally in its cost and ownership.

There is little doubt that the great disproportion of the price at which the stock would be offered in the proposed mutualization and its par value or its value based on dividend return was the cause of the subsidence of the movement to mutualize this company. It is notorious that the superintendent of insurance could not see how it could be justified.

Yet unquestionably the immediate purpose in enacting the mutualization law was to enable the stockholders and the policyholders of the Equitable Life Assurance Society, then desirous of making it a mutual company, to retire the stock upon reasonable terms which would be acceptable to both sides.

Why the law, though opening the door to other mutualizations, has not succeeded in making this feasible, deserves careful consideration to the end that, if practicable, a way be found to enable that company to free itself of its utterly inconsiderable stock interest.

The reason why mutualization of the Equitable, or at least the acquisition of control by its policyholders, has not been accomplished, is this: While you and I and everybody know that the majority of the stock of a corporation is worth more, share by share, than shares not so embraced, provided you want to control its management, policyholders, superintendents of insurance and members of the legislature, all only while serving in such capacities, must not be assumed to know this.

Not to know it did not make so very much difference in the Metropolitan or Home—though, in both cases, a price was allowed, at least equal to prices known to have been paid or offered for the majority of the stock—because only from three to four and one-half times the par value was allowed. In the Prudential, where nine and one-tenth times the par value was allowed, undoubtedly minority holders received two or three times what their stock could have been sold for. In the Equitable, however, the difference is enormously greater; three times would be a large value on an earnings basis while about sixty times has been paid or offered within ten years by shrewdest financiers for the majority holding, which carries control. Were the deal to go through, therefore, in the same way as the retirement of capital in the Metropolitan or Home, as provided in the present New York law, not only would sixty times, *i.e.*, about $3,000,000, be paid for the majority shares needed to give the policyholders control, but also sixty times, *i.e.*, just under $3,000,000 more, for shares not needed for that purpose, redemption of which would only save $3,500 in dividends.

To what does this point? To abandonment of the idea of mutualizing the company, to consenting to the payment of a vast sum to persons who do not hold the control in order to get control or to the advisability of amending the law so that the policyholders may authorize the purchase of the majority of the shares to be held by trustees and voted as the policyholders may direct, the price for such stock to be as determined by the agreement between the holders and the policyholders?

A precedent, in principle, for the last-mentioned would be found in the action of the Connecticut legislature *re* the mutualization of the Phoenix Mutual Life Insurance Company, under which the shares purchased were held by the insurance commissioner, acting as trustee, from 1889 to 1893 when, all the shares having been purchased, the trustee turned them over to the company and they were retired; the act of the New Jersey legislature authorizing the purchase of its stock by the Prudential is also a precedent. To be sure, both of these contemplated paying the same price per share to each holder presenting his stock for purchase; but such is not an essential, *sine qua non* element of such a law and, in cases of a tremendously high value attaching to the control, a departure in this regard might be made.

Unpleasant references to the probable motives of those who pay so much for control are not uncommon. Originally—*i.e.*, before 1906—it was supposed that the purpose was usually to secure control of the investing power in order to buy up control of other enterprises; since then, it is thought, that object is unattainable, so closely does the statute restrict investments by New York life insurance companies. Mr. Ryan asserted that he bought to prevent further demoralization of the stock and bond market; it was made public later that Mr. Morgan procured the transfer to him on the ground that he would feel easier if the control were with his firm. But, whatever the purpose of paying such a price for control and, indeed, yet the more if the purpose were or could be evil, there certainly appears to be good reason why policyholders might wish to secure the complete and permanent mutuality of the management of the company at an aggregate cost but one-sixth as great as in the Prudential, instead of depending upon the owner of the control continuing indefinitely (and in good faith) to trustee his shares, which arrangement expires, unless renewed, every five years.